USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.07

Required Report - public distribution

Date: 12/30/2003

GAIN Report Number: TW4001

Taiwan

Oilseeds and Products

Annual

2004

Approved by:
Jonathan Gressel
American Institute in Taiwan

Prepared by:
Chiou-Mey Perng & Eric Trachtenberg

Report Highlights:
Soybean imports for 2003/04 are estimated at 2.36 million metric tons and 2004/05 imports are forecast at 2.31 million metric tons. U.S. market share is expected to stay around 70-75 percent. Over the next few years, Taiwan may come under increasing pressure to open its soybean meal market to PRC products if China can offer meal at low prices. The temporary opening to PRC meal from November 2003 to January 2004 is unlikely to result in any trade because of high PRC prices.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Taipei [TW1]
[TW]

Table of Contents

Executive Summary

Soybean imports for 2003/04 and 2004/05 are forecast at 2.36 and 2.31 million metric tons, respectively. U.S. market share is expected to stay around 70-75 percent. Over the next few years, Taiwan may come under increasing pressure to open its soybean meal market to PRC products if China can offer meal at low prices, which is currently not the case.

Oilseeds Situation and Outlook

Trade

Imports

Soybean imports for 2003/04 and 2004/05 are forecast at 2.36 and 2.31 million metric tons, respectively. Trade in 2004/05 is expected to fall because of increasing pressures on Taiwan's livestock industry as a result of Taiwan's WTO accession, which liberalized imports of pork and poultry products. Increasing imports will likely depress Taiwan's poultry and pork meat production, forcing continued adjustments in the local livestock and feed industries. In addition, rising world soybean and sea freight prices in 2003/04 have discouraged stock-building, which will likely shrink ending stocks to around one month's consumption. However, overall market size should also be supported by the high feed inclusion rate for soybean meal.

Market Share

The United States had a 70 percent share of 2002/03 imports, a 15 percent decrease from a year earlier. This fall came because of strong competition from South American soybeans, which offered lower prices and improving quality. In the year to come, U.S. soybean market share may also be depressed by price cutting in Taiwan's poultry and swine sectors that could drive Taiwan soybean crushers to source less expensive soybeans. This will likely further stimulate interest in South American beans.

Despite these changes, the United States is expected to retain its leading position in the Taiwan soybean market because of increasing U.S. attention to quality (protein and oil) and the year-round availability of U.S. soybeans. In addition, U.S. competitiveness is also boosted by the relative reliability of U.S. suppliers.

PRC Trade

Taiwan currently bans PRC soybean imports. However, over the next few years, this ban on soybeans and other PRC agricultural products may be gradually relaxed. In 2002/03, Taiwan imported 40 metric tons of food soybeans from Mainland China because of a petition by a domestic tofu manufacturers' association. On November 18, 2003, Taiwan also temporarily lifted the import ban on PRC soybean meal until January 31, 2004. Despite this opening, there were no imports of PRC soybean meal as December 29, 2003 because of high PRC prices. However, with PRC crushing capacity expected to continue expanding, Chinese soymeal will likely become competitive in Taiwan in the next few years. Reportedly, the largest crushing plant in PRC has daily crushing capacity 13,000 mt/day, compared to Taiwan's total capacity of 4,700 mt/day. The increasingly availability of cheap PRC soybean meal will likely result in renewed pressure to open the Taiwan market permanently.

Consumption

Food Soybeans

Although more than 90 percent of soybeans are used for animal feed, Taiwan has a strong market for soybeans for food use estimated at 255,000 tons. Most of this is consumed as tofu and soy milk and is based on estimated sales by crushers of sorted US#2 beans to end-users. In 2002/03, approximately 7,500 metric tons of food beans came as identity-preserved (IP), non-GM "food grade", and organic beans. Of this total, the US supplied about 4,500 metric tons, Australia 2,000 tons and Canada 500 tons and all other countries combined 500 tons.

Taiwan's non-GM and organic bean consumption grew after voluntary non-GM food labeling regulation took effect in January 2001 because of rising consumer awareness of these products. This market is expected to grow further after mandatory bioengineered food labeling takes effect for primarily processed packaged soybean and corn food products, such as tofu, dried tofu, soy milk, soy curd, frozen corn, canned corn, soy protein on January 1, 2004. For more specifics on biotech food regulations see GAIN Report 3027. The market will likely grow further after labeling is required for processed packaged soybean and corn food products on January 1, 2005. Taiwan's demand for IP beans for 2003/04 is anticipated to double to around 15,000 tons according to local package tofu and soymilk processors.

Oilmeal Situation and Outlook

Consumption & Trade

Imports

Taiwan's soybean meal demand is virtually all met by domestically crushed meal derived from imported soybeans. Soybean meal imports represent less than 2 percent of total consumption. This total is not expected to grow in the near-term because of the support given to Taiwan crushers by steady oil demand.

Livestock Production Trends

Taiwan's demand for soybean meal will likely decrease in line with the anticipated decline in feed demand driven by post-WTO production adjustments in the swine and poultry sectors. According to Taiwan's Council of Agriculture (COA), preliminary 2003 production numbers for hog and poultry indicate a 1 percent decrease in the poultry sector and a 5 percent decrease in the swine sector from 2002. The standing hog population was 6.7 million head based on the May 2003 consensus, a 2 percent drop from May 2002. This fall was in line with a preliminary industry estimate of only a 2-3 percent fall in feed production in 2003. At the same time, the feed conversion rate in 2003 fell because of an outbreak of Porcine Circovirus Infection (PCV), which has a high mortality in pigs weighing between 15 to 30 kg. Although COA expects a decrease of one million head in the standing pig population from the pre-WTO accession level of 7.1 million head, current data point to a much smaller decrease, especially given high hog prices in 2003. Pork imports are driven primarily by prices on the local hog market and total meat consumption levels. However, high fill rates on TRQs for pork belly and variety meats point to increasing imports of these products after liberalization in 2005 (see Tables 8 & 9).

Rising imports of chicken meat and poultry variety meats under the TRQs and after liberalization have led COA to forecast a 20 to 30 percent decrease in the modern broiler sector by 2005. The near one-hundred percent quota fill rate for poultry meat quotas in 2002 and 2003 and anticipated high fill rate in 2004 along with the expanding TRQ from 19,613 mt in 2003 to 32,577 mt in 2003 and to 45,990 mt in 2004 and liberalization in 2005, all point to sharply increasing imports in the next few years.

Soymeal Inclusion Remains High

The feed inclusion rate of soybean meal should remain a relatively high 22.70 percent based on estimated feed production of 7.45 million metric tons. Full fat meal and dehulled meal remained popular with premium market prices at NT$13.30/kg and NT$12.10/kg, respectively, compared to conventional soy meal at NT$11.30/kg. (Current exchange rate is $1 = NT$34.05 as of December 24, 2003). However, the production of full fat and dehulled soy meal are likely to stay at approximately 220 TMT of full fat meal and 360 TMT of dehulled meal.

The use of other kinds of oilseed meals remained low. In 2003, the feed inclusion rate of fishmeal was estimated at 2.9 percent, a 0.3 percent drop from a year earlier, while the total for other oilseed meals was 4.4 percent, a 2.2 percent increase from a year earlier. Local feed mills have also started introducing fermented full fat meal as a substitute for dairy products in feed rations. The 2003 imports of milk powder and whey for feed use were less than 1,000 metric tons. In the future, soymeal may also face competition from distillers dried grains in certain uses, especially in the dairy sector.

Oil Situation and Outlook

Consumption & Trade

Oil Imports

In 2001/02 Taiwan total vegetable oil consumption was raised to 574,000 metric tons from the previous estimate of 544,000 metric tons for CY2002. In 2002/03, Taiwan total vegetable oil consumption was estimated at 586,000 metric tons of which soybean oil accounts for 70 percent. This was down one percent from the previous year because of rising palm oil imports.

Competition Between Oils

There are three segments in the Taiwan vegetable oil market:

1) Market leaders including soybean oil and palm oil with a market share of 70% (down 1%) and 17% (up 2%).
2) New-to-market oils: olive, canola, corn, sunflower, and safflower oils with a combined 10% share (drop 1%).
3) Traditional Chinese oils: peanut and sesame oil with a combined 3% share.

Despite tariff reductions for the new-to-market oils resulting from Taiwan's WTO accession, they accounted for a declining share of the total edible vegetable oil market because of their relatively high prices (see Table 11).

In 2001, Taiwan maintained its relatively high level of oils and fats consumption of 23.27 kg per capita. Total vegetable oil consumption for the coming two years is forecast around 590,000 metric tons. Despite increasing import potential for new-to-market oils due to the post-WTO tariff reductions (see Table 12), soybean oil and palm oil are expected to retain their leading market position because of their widespread use in the HRI and food processing sectors. However, the anticipated reduction in the Taiwan crush will likely boost import demand for soy oil and new-to-market oils, in particular canola oil and sunflower oil which compete with soy oil in household use.

The tariff rates on soybean oil, sunflower oil, safflower oil, and corn oil are fixed at 5 percent, but olive oil will be gradually reduced to zero percent and canola oil to 4 percent in 2007. However, this is unlikely to increase market competition for imported U.S. sunflower oil and domestic crushed soy oil because olive oil is not well suited to Chinese cuisine while canola oil is under increasing scrutiny because it is derived from biotech crops. However, the increasingly health conscious Taiwan market will likely have rising demand for NuSun oil, which is non-GM and has lower saturated fats.

Biodiesel

The American Soybean Association has been working with Taiwan authorities to encourage the use of biodiesel since 1995. The Taiwan Environmental Protection Agency approved B20 (20 percent biodiesel) as a clean fuel in November 2000 and successful tests were complete on Taipei city garbage trucks in 2002. In 2004, Taiwan will build its first biodiesel plant.

Statistical Tables

Table 1 – Total Soybean Production, Supply and Demand

PSD Table						
Country	Taiwan					
Commodity	Oilseed, Soybean				(1000 HA) (1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10-2002		10-2003		10-2004
Area Planted	0	0	0	0	0	0
Area Harvested	3	0	3	0	0	0
Beginning Stocks	220	220	166	165	161	170
Production	6	0	6	0	0	0
MY Imports	2351	2351	2350	2360	0	2310
MY Imp. from U.S.	1923	1655	1930	1700	0	1700
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	2577	2571	2522	2525	161	2480
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	2150	2151	2100	2100	0	2050
Food Use Dom. Consump.	261	255	261	255	0	255
Feed,Seed,Waste Dm.Cn.	0	0	0	0	0	0
TOTAL Dom. Consumption	2411	2406	2361	2355	0	2305
Ending Stocks	166	165	161	170	0	175
TOTAL DISTRIBUTION	2577	2571	2522	2525	0	2480
Calendar Year Imports	2500	2543	2200	2400	0	2300
Calendar Yr Imp. U.S.	2100	2201	1900	1700	0	1700
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 2 – Total Soybean Meal Production, Supply and Demand

PSD Table						
Country	Taiwan					
Commodity	Meal, Soybean				(1000 MT) (PERCENT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10-2002		10-2003		10-2004
Crush	2150	2151	2100	2100	0	2050
Extr. Rate, 999.9999	0.793953	0.785681	0.79381	0.785714	#DIV/0!	0.785366
Beginning Stocks	81	81	81	98	48	88
Production	1707	1690	1667	1650	0	1610
MY Imports	20	17	25	10	0	10
MY Imp. from U.S.	12	0	12	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1808	1788	1773	1758	48	1708
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	1727	1690	1725	1670	0	1640
TOTAL Dom. Consumption	1727	1690	1725	1670	0	1640
Ending Stocks	81	98	48	88	0	68
TOTAL DISTRIBUTION	1808	1788	1773	1758	0	1708
Calendar Year Imports	17	17	20	10	0	10
Calendar Yr Imp. U.S.	9	9	12	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Note: The meal extraction rate is relatively high because soy meal production includes 220 TMT of full fat soy meal and 360 TMT of dehulled meal.

Table 3 – Total Soybean Oil Production, Supply and Demand

PSD Table						
Country	Taiwan					
Commodity	Oil, Soybean				(1000 MT) (PERCENT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10-2002		10-2003		10-2004
Crush	2150	2151	2100	2100	0	2050
Extr. Rate, 999.9999	0.165116	0.16504	0.165238	0.166667	#DIV/0!	0.165854
Beginning Stocks	98	98	67	65	38	40
Production	355	355	347	350	0	340
MY Imports	50	39	60	50	0	60
MY Imp. from U.S.	15	10	20	10	0	10
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	503	492	474	465	38	440
MY Exports	2	2	1	0	0	1
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	15	15	15	15	0	15
Food Use Dom. Consump.	419	410	420	410	0	385
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	434	425	435	425	0	400
Ending Stocks	67	65	38	40	0	39
TOTAL DISTRIBUTION	503	492	474	465	0	440
Calendar Year Imports	32	37	50	50	0	60
Calendar Yr Imp. U.S.	12	11	15	10	0	20
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 4 – Soybean Import Matrix for 2002/03 and 2003/04

Import Trade Matrix			
Country	Taiwan		
Commodity	Oilseed, Soybean		
Time Period	10/2002	Units:	1,000 MT
Imports for:	2002		2003
U.S.	1655	U.S.	1700
Others		Others	
Brazil	593		592
Argentina	93		60
Belize	7		
Total for Others	693		652
Others not Listed	3		8
Grand Total	2351		2360

Table 5 – Soybean Meal Import Matrix for 2002/03 and 2003/04

Import Trade Matrix			
Country	Taiwan		
Commodity	Meal, Soybean		
Time Period	10/2002	Units:	1,000 MT
Imports for:	2002		2003
U.S.		U.S.	
Others		Others	
India	16		10
Total for Others	16		10
Others not Listed	1		0
Grand Total	17		10

Table 6 – Soybean Oil Import Matrix for 2002/03 and 2003/04

Import Trade Matrix			
Country	Taiwan		
Commodity	Oil, Soybean		
Time Period	10/2002	Units:	1,000 Mt
Imports for:	2002		2003
U.S.	10	U.S.	10
Others		Others	
Argentina	24		35
Paraguay	5		5
Total for Others	29		40
Others not Listed			
Grand Total	39		50

Table 7 – Soybean Meal Price at Crushers

Country	Taiwan		
Commodity	Meal, Soybean		
Prices in	NT Dollar	per uom	100 KG
Year	2002	2003	% Change
Jan	830	828	0%
Feb	816	831	2%
Mar	795	834	5%
Apr	784	837	7%
May	781	851	9%
Jun	779	858	10%
Jul	793	858	8%
Aug	809	852	5%
Sep	815	863	6%
Oct	824	929	13%
Nov	814	1004	23%
Dec	823		-100%
Exchange Rate	34.05	Local Currency/US $	
Date of Quote	12/24/2003	MM/DD/YYYY	

Table 8 – Fill Rates for Meat and Poultry Quotas for 2003

	Chicken Meat	Poultry Offal	Pork Belly	Pork Offal
Quota (mt)	32,575	2,754	10,780	18,750
Imports (mt)	32,200	608	9,300	17,000
Quota Filled Rate	100%	22%	95%	100%

Source: Central Trust of China & Board of Foreign Trade dated 12/22/2003

Table 9 - Pork Imports vs Domestic Production and Market

Year	Pork Imports in 1,000 mt		Domestic Pork Production in 1,000 mt	Auction Price in NT$/100kg -head
	Meat	Offal		
1999	69	13	822	6,246
2000	45	9	921	4,714
2001	16	5	962	4,013
2002	19	10	935	4,383
2003	30	18	916	5,230

Source: Council of Agriculture (COA) and National Animal Industry Foundation (NAIF).

Table 10 - Tariff Rates for Edible Oils and Oil Seeds

HS Code	Seed/Oil	Tariff before WTO accession	Current Tariff	Tariff in 2007
1201.00	Soybeans	0	0	0
1507	Soybean Oil	6	5	5
1513.21.10 & 1513.29.10	Palm Kernel Oil	1.25	0	0
1511	Palm Oil	2.5	0	0
1513.11 & 1513.19	Coconut Oil	3	0	0
1509 & (1510)	Olive Oil	5	3.2 (5)	0
1205.00.10	Rape Seeds	3.5	0	0
1514	Rape (Canola) Oil	6	5	4
1515.21 & 1515.29	Corn Oil	7.5	5	5

HS Code	Seed/Oil	Tariff before WTO accession	Current Tariff	Tariff in 2007
1207.60.00	Safflower Seeds	9	0	0
1512.11.20 & 1512.19.20	Safflower Oil	12.5	5	5
1206.00.00	Sunflower Seeds	11	0	0
1512.11.10 & 1512.19.10	Sunflower Oil	15	5	5
Source: Taiwan Customs Tariff Schedule				

Table 11 – Oil Prices, CIF Taiwan, USD/Kg

Type of Edible Oil	MY 2001/02	MY 2002/03
Palm Oil	$0.45	$0.36
Canola Oil	$0.58	$0.68
Sunflower Oil	$0.57	$0.65
Soybean Oil	$0.54	$0.54
Source: Taiwan Customs		

Table 12 – Oil Imports & Production, 1,000 MT

Type of Edible Oil	MY 2001/02	MY 2002/03
Palm Kernel Oil	1.4	1.1
Palm Oil	85.3	96.8
Coconut Oil	6.6	8.0
Olive Oil	6.5	5.5
Canola Oil	19.1	18.0
Corn Oil	0.4	0.1
Sunflower Oil	24.8	26.9
Safflower Oil	0.2	0.1
Total Non-Soy	**144.3**	**156.5**

Type of Edible Oil	MY 2001/02	MY 2002/03
Imports		
Soybean Oil Imports	36.0	39.0
Taiwan Soybean Oil Production	355.0	355.0
Source: Taiwan Customs Statistics		